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# Commentary

The resale housing market finished the year on a high note. Strong demand in the second half of the year pushed annual sales for 2009 over 2008 levels. With the Bank of Canada's continued commitment to leave the interest rate low, mortgage rates continue to be favorable for buyers. More sellers are also jumping back in the market.

The strength of the housing market has spurred discussion of a possible housing bubble throughout the second half of 2009. CREA Chief Economist Gregory Klump points out, "The extraordinary decline in activity one year ago and subsequent rebound, particularly for higher-priced real estate, is stretching current year-over-year comparisons," he said. "By the second half of 2010, price gains are likely to shrink significantly, since a year will have elapsed since the decline and rebound. Further expected increases in supply will also take some steam out of the market."



# The Numbers That Drive Real Estate

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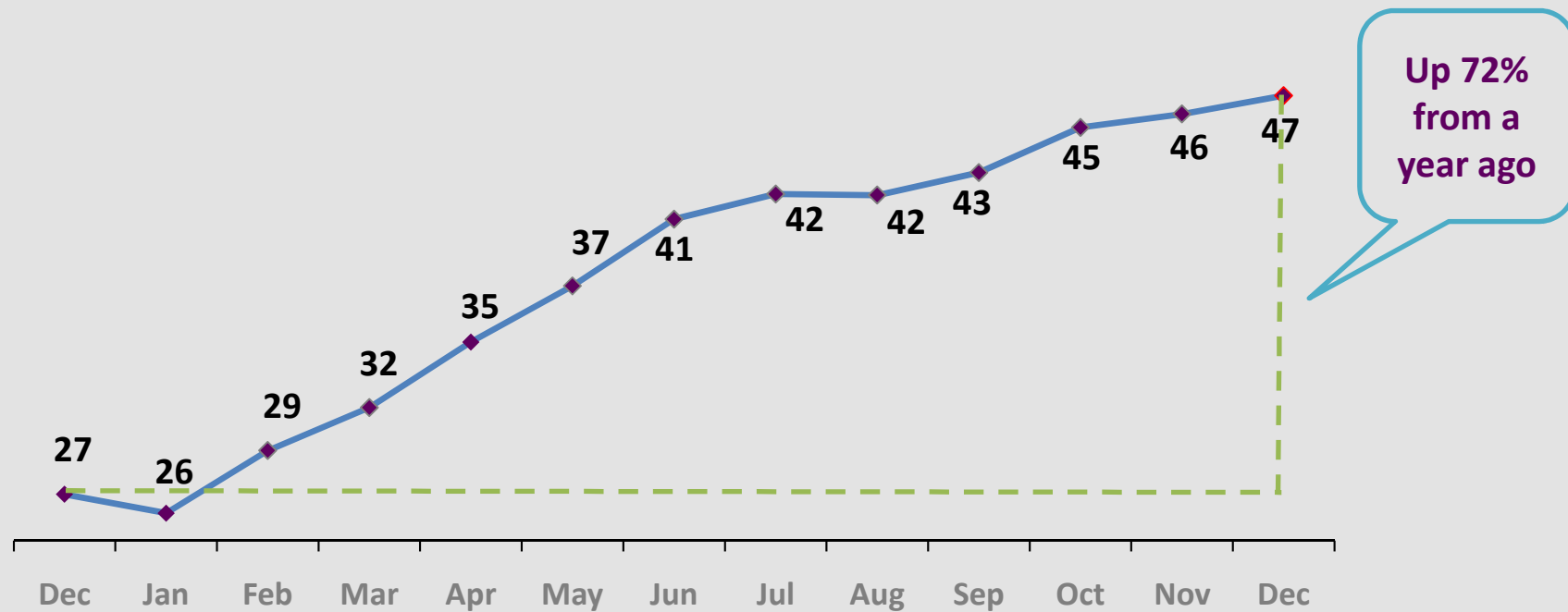


# Home Sales

*In Thousands*



**Existing-home sales activity reached 46,805 units, the highest level ever reached.** This stands 72 percent above activity in December 2008 and is 78 percent above the decade low reached in January of 2009. Low interest rates, coupled with upbeat consumer confidence, continue to bolster national sales activity.



Data released on January 15, 2010

Sources: Conference Board, The Canadian Real Estate Association, Royal Bank of Canada



# Average Home Price

## *In Thousands*



The national average home price reached was \$337,410 in December, up 19 percent from the same month the previous year. This large year-over-year increase continues to reflect the sharp rebounding activity in Canada's priciest markets. Record-level average prices in most regions are now driving the overall national average price to new heights.



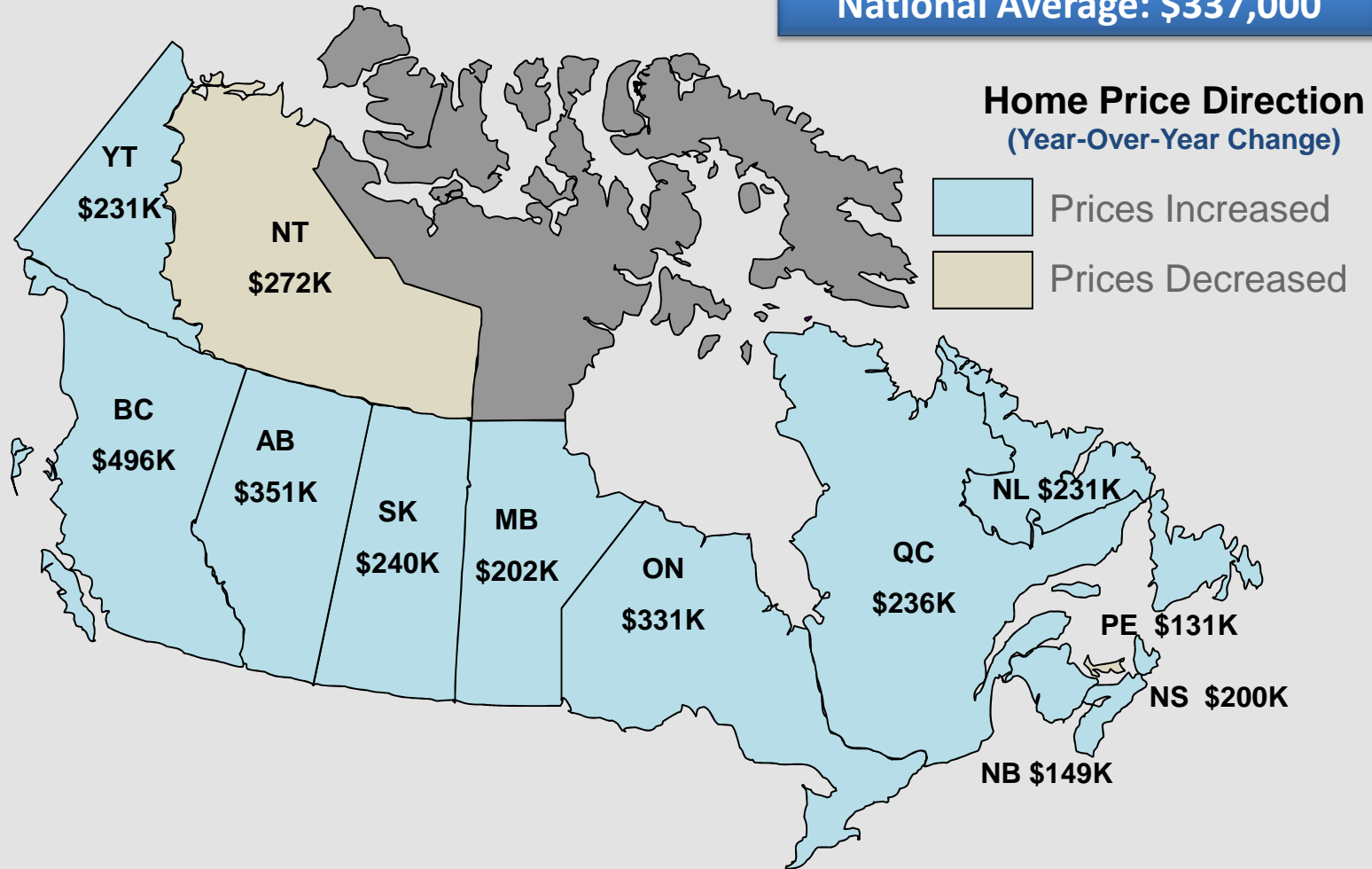


# Home Prices by Province and Territory



*10 out of 12 experienced an increase in home price*

**National Average: \$337,000**



Average home price as of December every year (Data released on January 15, 2010)

Sources: Conference Board, The Canadian Real Estate Association, Royal Bank of Canada

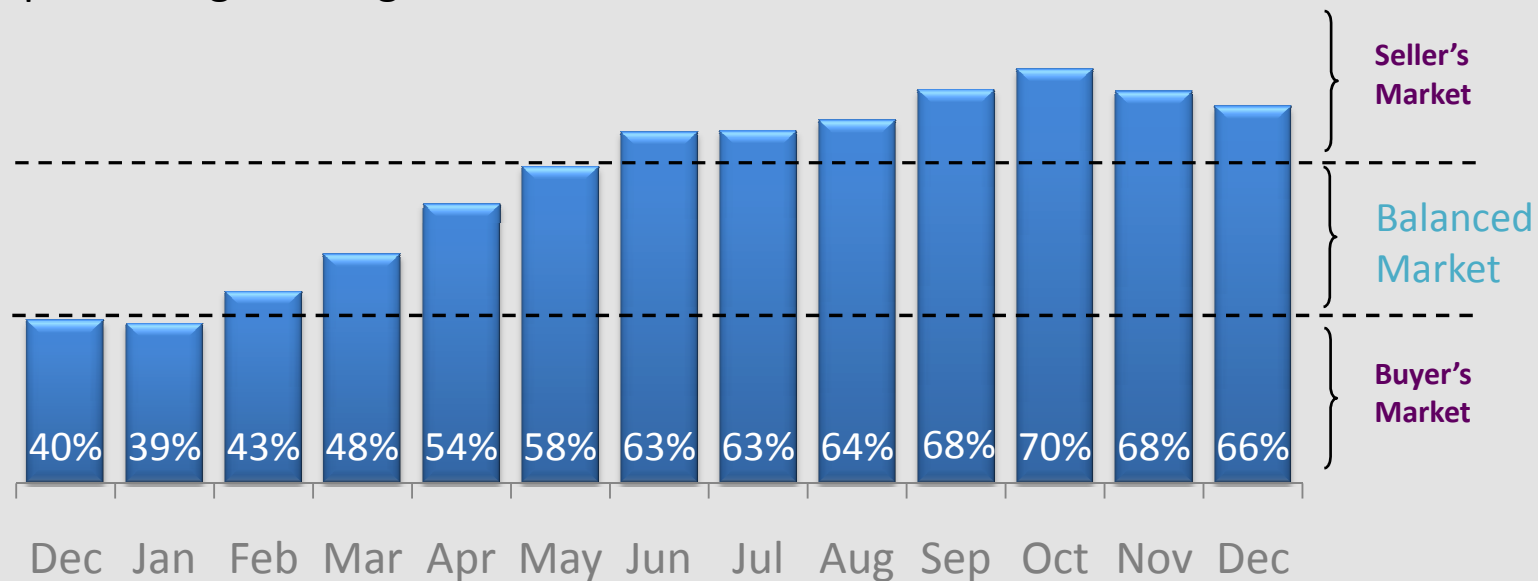


# Inventory — Number of homes available for sale

## Sales-to-Listings Ratio



Strong demand and average price gains are drawing more sellers back to the market. New listings rose 3.7 percent from December 2008, the first year-over-year gain in a year and are up 4.7 percent on a month-over-month basis to 71,201 units. This is the highest level on record for the month of December. Even with the uptick in new listings, the strong increase in housing demand continues to draw down inventories. Nationally, there were 4.1 months of inventory in December, the lowest level in more than two years. The sales-to-listings ratio was 66 percent, representing a strong seller's market.



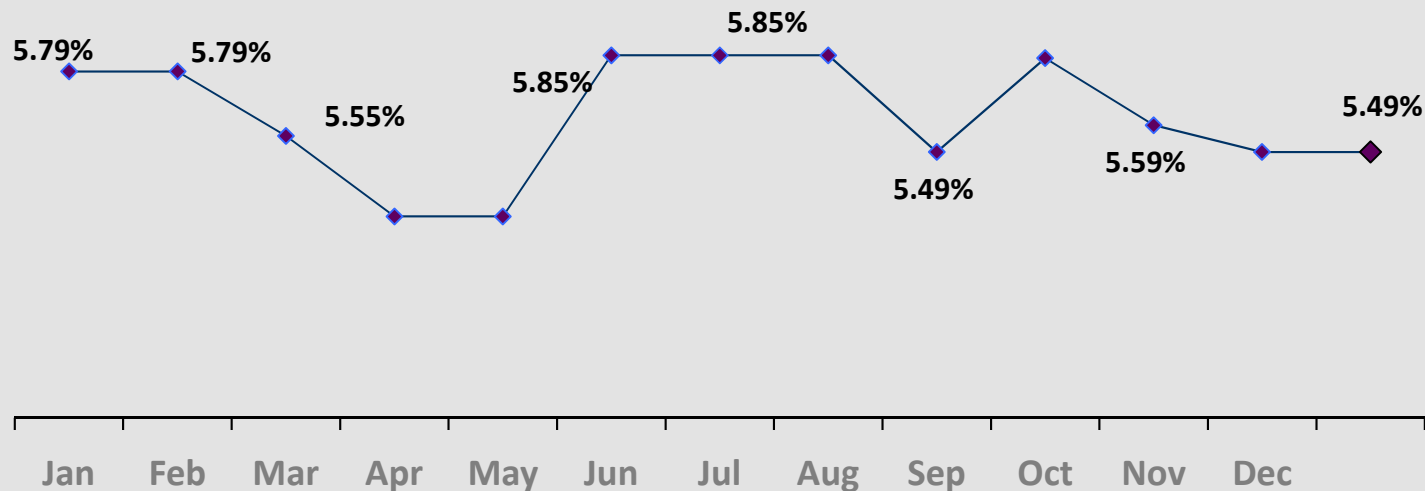


# Mortgage Rates

*Average for: 25-Year Amortization, 5-Year Term*



In January, the 5-year conventional mortgage rate remained unchanged at 5.49 percent, 0.3 percent lower than this time last year. As the Bank of Canada reiterates its commitment to hold its benchmark overnight lending rate steady at 0.25 percent until the end of the second quarter of 2010, and with the overall risk to the inflation outlook tilted low, it suggests that the Bank could leave rates unchanged even longer than expected.







# Recent Key Events

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# World Economic Forum

Consumers have increased their consumption of domestic products, supporting the economy over the past several months, but they cannot continue to do so indefinitely without overextending themselves. As recovery picks up across the globe, eyes turn to other nations to import Canadian products. The condition of the economy will likely serve as an indicator of the amount of importing capacity those countries have.

The World Economic Forum's most recent meeting in Switzerland showed an overall consensus of generalized recovery.

The increasing U.S. GDP has spread optimism—particularly for Canada, as the United States is the number one importer of Canadian goods and materials. However, high levels of unemployment are expected to continue for some time. Asia, on the other hand, is now close to total recovery. China grew by nearly 9 percent in 2009. However, the global economic condition will not truly stabilize until imbalances are addressed, policy makers say. The West has immense levels of debt juxtaposed against a huge savings rate in the East. The representative from China indicated they will focus on stimulating domestic consumption, but that it will be a process over several years. China imports many of its raw materials from Australia and Canada.

Experts indicated that recovery, although sluggish, has grown deep enough roots that they now do not see a “double dip” recession. Growth in Canada will likely continue to depend on the world economic condition as the major economies begin to recover and hopefully increase their imports from Canada.

# “Good and Boring”

Canada’s financial system has been repeatedly touted as the best, and it is known as the only major western country whose banks did not need a bailout. An article by Nobel Prize-winning economist Paul Krugman summarizes what brought Canada to where it is compared to the United States from a banking perspective.

- Over the past decade, Canada and the U.S. experienced the same global environment.
- The interest rates policy was very similar.
- All of Canada’s banks are “too big to fail,” as only five dominate the market.
- The major differences in Canada from the United States:
  - The independent Financial Consumer Agency that strictly regulated deceptive lending practices, including subprime
  - Bank’s leverage was strictly monitored
  - Securitization was limited

Another important factor not mentioned in the article is difference in attitudes about risk between the two countries. Canada is more risk adverse—from its consumers to its corporations, banks, and government.

# Jobless Benefits

A study by the Canadian Centre for Policy Alternatives found that Employment Insurance (EI) failed the “stress test” of this recession. The study recommends that EI be extended by at least twenty six weeks for all unemployed Canadians, and it calls on the government to include this provision in the March budget.

Before the recession, 1 in 4 ran out of EI benefits before finding employment.

The cost: an additional \$4 billion on top of the \$2 billion that was already committed. If the jobless rate falls, the price tag will fall with it.

Given the dramatically improved economic condition from when the budget was created last year, few expect large ticket initiatives to get a green light from the government.



# Topics for Home Buyers, Sellers, and Owners

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Bidding War Tips

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# Bidding War Tips for Buyers

1. **Get preapproved for your loan.** Know the uppermost limit of what you can borrow and keep in mind how much of that amount of that you are willing to spend.
2. **Do your homework on price.** Ask your agent to pull a Comparative Market Analysis for the home before bidding that way you know where the home stands compared to the neighbors and a range of what the home is worth.
3. **Offer firm.** The fewer contingencies and the cleaner the offer, the better the chance you have in winning a bidding war.
4. **Inspect the home.** Prepurchase home inspections should cost around 1 percent of the home's asking price but could be money well spent if it uncovers a costly problem.
5. **Don't get distracted.** Buy the home based on what can't easily be changed: layout, location, size, etc. try not to get distracted by what can easily change, such as paint color and decor.
6. **Think uneven.** Uneven offer prices can stand out from a round number.
7. **Revisit.** Do you still feel the same on a second or third trip through the home? Potential buyers often notice different things if they view a home more than once.
8. **Sweeten the deal.** If you can find out about the seller's situation, for example their ideal closing date, offer to make it happen. This could also set you apart from the crowd.
9. **"Hide your hand."** Rather than offering all you can afford to, try to figure out what the highest bid you're trying to beat would be and come in over that.
10. **Play devil's advocate.** It's easy to get caught up in the excitement. Keep in mind what you want and need. Ask if this is the right home for you.

# Your Local Market

Although it is important to stay informed about what is going on in the national economy and housing market, many different factors impact the real estate market in your area.

**Talk to your Keller Williams agent for assistance interpreting the conditions in your local market.**



Keller Williams associates are equipped with all the knowledge and information to help navigate you through the process of buying or selling a home in this challenging market.

# About Keller Williams Realty



Founded in 1983, Keller Williams Realty, Inc., is an international real estate company with more than 74,175 associates and 693 offices located across the United States and Canada. The company began franchising in 1991, and following years of phenomenal growth and success, became the third-largest U.S. residential real estate firm in 2009.

The company has succeeded by treating its associates as partners and shares its knowledge, policy control, and company profits on a system-wide basis.

Focusing on helping associates realize their fullest potential, Keller Williams Realty is known as an industry leader in its family culture, unmatched education, profit sharing business model, phenomenal coaching program, and technology offerings. The company provides associates with all the tools needed to grow and thrive in today's market.

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